The Role of Residential Care Settings in Delivering Long-Term Services and Supports

Medicaid and CHIP Payment and Access Commission
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Overview

• Background
• Methodology
• Findings
• Future work
• Policy questions

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Home and Community-Based Services

- In recent years, states and the federal government have invested in home and community-based services (HCBS)
- HCBS includes:
  - Personal care attendants that travel to a beneficiary’s home or apartment
  - Day services providers outside of the home
  - Residential care settings (RCSs) that integrate housing and HCBS
- In fiscal year 2013, national Medicaid expenditures for HCBS exceeded institutional care for the first time
Residential Care Settings

• RCSs are community-based care settings for individuals who are unable to live completely independently
• Licensed by states using different definitions, and include both small group homes and large assisted living communities
• Vary in the services they provide and the populations they serve
  – Most common services are personal care
  – Fewer offer skilled nursing care
  – Some focus on serving specific populations
Incentives for Institutionalization

• Despite progress in rebalancing, current policies create incentives for institutionalization when beneficiaries might be well served in a RCS.

• Nursing facility services are a mandatory benefit, while HCBS are optional.
  – Many states have waiting lists for HCBS waiver services.

• Medicaid pays for room and board in institutions, but not for RCSs or private homes.
Methodology

• MACPAC contracted with RTI International to study Medicaid coverage and payment of services provided in RCSs, and policies that may affect beneficiaries’ access to these settings

• RTI’s work involved three tasks:
  – Compendium of Medicaid coverage and payment policies
  – Interviews with subject matter experts
  – Case studies of four states (Colorado, Florida, North Carolina, and Washington)
Medicaid Coverage of Services Provided in RCSs

• States can use several Medicaid authorities to cover services in RCSs
  – 1915(c) HCBS waivers
  – 1115 research and demonstration waivers
  – State plan authorities

• States may use different authorities in order to target RCS coverage to specific populations
Medicaid Payment for Services Provided in RCSs

• States use various payment methodologies to pay for services delivered in RCSs
  – Flat rates (18 states)
  – Tiered rates (16 states)
  – Case mix rates (6 states)
  – Cost-based rates (7 states)
  – Fee-for-service rates (10 states)
  – Negotiated rates (14 states)

• State payment rates vary considerably from each other and as a share of private pay rates
Policies to Make Room and Board More Affordable

- States may not use Medicaid funds to pay for room and board in community-based settings, including RCSs, but can employ strategies to help make room and board more affordable
  - Providing additional Supplemental Security Income payments
  - Setting a combined rate
  - Limiting what RCSs can charge for room and board
  - Allowing family members to supplement room and board costs
Policies and Trends Affecting RCSs: Payment Rates

- Stakeholders said low Medicaid payment rates, compared to private pay rates, discourage participation of RCSs in Medicaid.
- Small RCSs are most affected by low Medicaid rates because they cannot use private payments to subsidize Medicaid payments.
- Stakeholders said financial screening of applicants and discharge of residents who spend down to Medicaid eligibility is common.
Policies and Trends Affecting RCSs: HCBS Rule Implementation

- Rule defines requirements for HCBS providers to enable beneficiary independence and promote community integration
- States are reviewing HCBS settings, and identifying those that will receive heightened scrutiny from the Centers for Medicare & Medicaid Services (CMS)
- Stakeholders were most concerned about effects on small and rural RCSs and those co-located with nursing facilities
Policies and Trends Affecting RCSs: Managed Care

- The number of states with managed long-term services and supports (MLTSS) programs continues to increase.
- Effect of MLTSS adoption on beneficiaries’ access to RCSs is uncertain:
  - Contracting may be a challenge
  - Care coordination issues may arise
Policies and Trends Affecting RCSs: Other Issues

• The Money Follows the Person (MFP) demonstration does not allow funds to be used to transition beneficiaries to settings with more than four residents

• Current CMS policy does not provide for retroactive payment for RCSs when eligibility determinations are delayed, as it does for institutional settings
Future Work

• Current LTSS work relevant to RCSs
  – Analyses of HCBS claims data
  – Review of network adequacy provisions in state MLTSS programs

• Additional work based on Commissioner interest
Policy Questions

- How will the HCBS rule affect RCS availability?
- How will MLTSS adoption affect RCSs?
- Should Medicaid policy promote use of these settings?
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